TOKYO GAZETTE

A MONTHLY REPORT ON CURRENT POLICIES, OFFICIAL STATEMENTS AND STATISTICS

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JAPAN'S FOREIGN TRADE IN 1938

BUREAU OF FOREIGN TRADE

JAPAN'S foreign trade in 1938, including that of Japan Proper and Karafuto or Southern Saghalien, showed an import excess of only 30 million yen at the end of October. This represents a remarkable improvement over the similar total trade figure for the corresponding period of 1936 and of 1937 when the import excess rose to huge proportions. In 1938, the volume of foreign trade declined from the beginning of the year to July, causing serious apprehension among observers. However, after July it showed improvement.

Yet, the improvement in the trade balance is not a positive one brought about by increased exports, but rather is a negative one effected by decreased imports. This may be seen from the grand totals of trade figures as of the end of October when exports stood at 2,131 million yen and imports at 2,162 million yen—a decrease of about 20 per cent for exports and 35 per cent for imports in comparison with the corresponding period of the preceding year. The trade balance improvement was due to the fact that imports fell off in larger measure than exports.

In the following pages, certain details of Japan's foreign trade in 1938 will be analysed and the promotional measures now being taken will be outlined.

The General Situation

Japan's foreign trade in 1938 was characterized by several peculiar features. Firstly, her trade with the Kwantung Leased Territory, Manchoukuo and China, which is classified as trade within the Yen bloc, continued to rise despite the general downward trend of her foreign trade. In other words, whereas the exports destined for third Powers fell off seriously, those for the Kwantung Leased Territory, Manchoukuo and China rose favourably from the beginning of the year, totalling 924 million yen at the end of October—an increase of 279 million yen or 42 per cent over the corresponding figures of the preceding year. In imports, trade within the Yen bloc totalled 459 million yen at the end of October, showing an increase of nearly 26 per cent over the similar figures for the preced-

ing year. Moreover, the exports to these regions rose so rapidly that the export excess for the period under review showed an increase of more than 70 per cent.

Responsible factors for this favourable trend in the export trade, coming as it did after the remarkable decline witnessed after the beginning of the China Affair in July, 1937, are the increased demand for materials of production needed in 1938 for Manchoukuo's 5-year industrial development plan and the special demands to meet various needs for construction, peace preservation and military operations in China. These factors have been interwoven with speculative demands arising from anticipation of further consolidation in various control policies in Japan.

Secondly, Japan's foreign trade in 1938 was marked by a decline in transactions with the so-called third Powers, those outside of the Kwantung Leased Territory, Manchoukuo and China. That the trade with these Powers should have been extremely unfavourable is an obvious corollary to the increase in trade within the Yen bloc, inasmuch as foreign trade as a whole declined. Japan's trade with third Powers for 1938 totalled 1,207 million yen in exports and 1,703 million yen in imports by the end of October, showing decreases of about 40 per cent and 42 per cent respectively and leaving an import excess of 496 million yen.

Thirdly, various changes were witnessed in regard to the relative proportions of different goods imported. Government control of foreign exchange and imports was strengthened after 1937 in order to make completely effective use of the capital available in view of the prevailing situation wherein the importation of war supplies and other materials needed to meet immediate requirements had to be precipitated and the importation of civilian supplies for consumption within the country and of materials for the manufacture of goods for export had to be held down. Thus, war supplies and other needed materials continued to be imported in large quantities in 1938 in increasingly larger proportions to other imports. With the exception of agricultural products, coal and fertilizers, all of these other imports declined sharply. Especially sharp was the decline in imports of cotton, wool, raw rubber and pulp, which are important materials for the manufacture of goods for export. During the first 10 months of 1938, imports of these four items fell off by 778 million yen or 60 per cent as compared with the corresponding figures for 1937. This amount of decrease corresponds to 67 per cent of the total decrease witnessed in imports during the period.

Fourthly, the relative proportions among various items of ex-

portation have also undergone some changes, which, however, are not so conspicuous as the changes in articles of importation. Notable among such changes is the fact that, while exports to third Powers generally are tending to decline, goods manufactured from native materials are gradually coming to be exported in larger proportions in comparison with goods for export which depend on imported materials. Another change has been in the gradual decline in the position of exports of miscellaneous goods, which had provided an impetus in promoting Japan's export trade in recent years.

That Japan's export trade with third Powers is in an unfavourable situation has already been stated. This situation may be made clearer by the table given below, which presents trade figures for the ten months between January and October of the past three years.

JANUARY-OCTOBER TRADE OF JAPAN (in 1,000 yen)

	THE JAPANESE EMPIRE	JAPAN PROPER AND KARAFUTO		
		Total	With Kwantung Manchoukuo & China	With Third Powers
Exports				
1938	2,291,834	2,131,832	924,641	1,207,191
1937	2,770,963	2,649,795	645,409	2,004,386
1936	2,242,364	2,159,289	527,881	1,631,408
Imports				
1938	2,299,994	2,162,760	459,102	1,703,658
1937	3,459,094	3,315,328	371,702	2,943,626
1936	2,395,168	2,261,116	307,703	1,953,413
Import excess				
1938	8,160	30,928	—	496,467
1937	688,131	665,533	—	939,240
1936	152,804	101,827	—	322,005
Export excess				
1938	—	—	465,539	—
1937	—	—	273,707	—
1936	—	—	220,178	—

Causes of the Decline

This decline in exports may be traced to several causes. Firstly, the worldwide economic depression centring around the prevailing depression in the United States has been responsible in large measure for this trend. According to an investigation on world trade by the League of Nations, the combined foreign trade of the entire world during the first eight months of 1938 showed a decrease of about 12 per cent as compared with the corresponding period of the preceding year. Among the leading Powers, the

United States imported 42 per cent less than in the previous year, while Great Britain, Germany and other countries producing materials or mainly depending upon agriculture also fared ill in foreign trade. Japan's exports to the United States had fallen off by some 42 per cent by the end of September in 1938 as compared with the corresponding period in 1937— a decrease amounting to approximately 204 million yen in value, which corresponds to as much as 42 per cent of the total decrease in Japan's export trade for the same period. At any rate, this decline in Japan's exports to the United States as well as the general downward trend of her export trade with other third Powers may be regarded as having been in no small measure due to the worldwide depression.

Secondly, other causes peculiar to this country have existed, as may be seen from the percentage of Japan's export trade against the combined world trade, which averaged only 3.32 per cent during the first eight months of 1938 against 3.52 per cent for the corresponding period of the preceding year. (If Japan's exports to third Powers alone are to be considered, the percentage fell from 2.86 per cent to 1.94 per cent.) Further, by the end of September, 1938, Japan's export trade with third Powers fell off by as much as 40 per cent, while the combined world trade declined only by 12 per cent. These figures obviously indicate that there have been some causes peculiar to this country for the recent unfavourable trend in Japan's foreign trade.

Notable among such peculiar causes is the control on foreign exchange and import trade, which has been tightened to such an extent as to make it difficult to import materials for the manufacture of goods for export, thereby making Japan's commodity prices comparatively higher than in many other countries. The boycotting of Japanese goods, which has been carried on vigorously by Chinese residents abroad, may also be considered a contributing factor here. On account of the above-mentioned difficulty in obtaining materials for the manufacture of export goods, the export trade in cotton yarn and fabrics, rayon yarn and fabrics, hosiery goods and woollen textiles, which depend largely on imported cotton, wool, pulp and such fibrous materials, declined by about 30 per cent. These exports to third Powers actually fell off by more than 40 per cent, although those to the Kwantung Leased Territory, Manchoukuo and China rose by about 21 per cent during the first nine months of 1938 as compared with the corresponding period of the preceding year. This downward trend, which was less sharp during the early part of 1938 as there were previous contracts outstanding, became acute in May and the percentage of decline stood

at about 46 per cent in the combined exports and about 58 per cent in those to third Powers for the month of July as compared with the same month in 1937.

Meanwhile, exports to third Powers of raw silk, silk fabrics, tinned and bottled provisions and ceramic goods, which are home products not affected by the restrictions on imports, fell off only by 22 per cent during the first nine months of 1938 as compared with the corresponding period of 1937. It may also be pointed out that the decline in the exportation of goods manufactured from imported materials was made sharper than it might otherwise have been by such additional obstacles as the complicated procedures required for imports, the lack of smoothness in the distribution of imported materials and the conversion of some of the materials imported for the manufacture of exports to uses as materials for goods to meet domestic demands.

As regards commodity prices in Japan, investigation by the Department of Commerce and Industry reveals that wholesale prices according to the September indices for 1938 rose by a little more than 10 per cent over the corresponding period of the preceding year, those for staple goods for import and export rising by 6 per cent and a little over 10 per cent respectively during the same interval. This trend presents a notable contrast to the wholesale prices in Great Britain and the United States, where commodity prices have continued to decline since March, 1937, with the result that Japan's wholesale prices have become considerably higher as compared with those in Great Britain and the United States, the upward trend of prices in Japan being more acute as regards goods for consumption than as regards materials for production, and consequently as regards goods for export than as regards imported articles.

As for the boycotting of Japanese goods, its effect was felt most seriously in the South Seas region where Chinese residents are numerous. Due to the boycotting, coupled with the business depression prevailing there, Japan's exports to these regions dwindled by about 56 per cent during the January-September months of 1938 as compared with the corresponding period of 1937. Boycotting of Japanese goods is also under way in some parts of the United States, Great Britain, etc. instead of being confined to the above-mentioned regions.

Moreover, these factors, which have combined to hamper Japan's foreign trade, have been, it may be conceded, further interwoven with other circumstances such as the hesitation on the part of overseas buyers of Japanese goods due to their anticipation of a

lower yen in the future or their insufficient knowledge of financial and industrial conditions in this country, the insufficient supply of labour for manufacturing industries for export on account of the absorption of labour by munitions industries and other so-called "boom industries," and the lack of smoothness in the dispensation of shipping bottoms.

Counter-Measures

With the general situation of Japan's foreign trade as outlined above, the Government is taking various special measures to meet immediate requirements in addition to the facilities previously provided for the purpose of promoting export trade. The wartime trade policy is aimed not so much at balancing the nation's international receipts and payments in a negative way as at increasing the power to import to the maximum while balancing international receipts and payments in a positive way by maintaining and promoting export trade. Such wartime measures are summarized below.

Firstly, procedures to be gone through in obtaining import licences have been unified with the object of facilitating and speeding up procedures required for the importation of raw materials. For this purpose, a portion of the Foreign Exchange Bureau of the Department of Finance has been moved into the Department of Commerce and Industry building in order to keep the two Departments in closer contact than heretofore in coordinating procedures of granting foreign exchange licences and import licences. Further, the regulations governing import licences have been so revised as to simplify necessary formalities.

Secondly, efforts have been made to prevent conversion of raw materials imported for the manufacture of exports to domestic uses. For this purpose what is known as the link system was adopted. This system was first introduced some time ago when it was so arranged that an import licence be given for the importation of the same volume of wool as was contained in the woollen goods exported, the wool imported under this system being required to be exported again as woollen goods within a fixed space of time. This measure was primarily designed to encourage export of woollen goods. Later, with or without slight alterations, this system has been applied to cotton goods, rayon goods, brushes, manila paper and toilet soap. Another measure taken for the same purpose is known as the bonded factory system, under which system bonded factories may obtain import licences with special facility in case they

desire to import materials with the object of reshipping them for export as manufactured goods.

Still another measure calculated to meet the same purpose was the creation of the foreign exchange fund, which was founded by earmarking 300 million yen out of the 800-million-yen specie reserve of the Bank of Japan with a view to facilitating the financing of capital needed for the importation of raw materials for the manufacture of export goods. This fund has been made available for cases where adequate precautions are taken through the link system, the bonded factory system and other measures to prevent the conversion of imported materials to domestic uses. The issuance of what is known as "allowances" of raw materials for the manufacture of miscellaneous goods for export may also deserve cursory mention. Raw materials for miscellaneous goods for export have become the most difficult to obtain owing to the strengthened restrictions on imports, but in view of the important part these goods have been playing in Japan's foreign trade, special discretion has been shown in the procedures of exchange control in favour of the importation of raw materials for the manufacture of such goods for export. In a similar manner, special attention has been paid to the effective distribution of such materials after investigating into the industrial requirements of the prefectures interested with the aid of the prefectural authorities concerned and the Department of Commerce and Industry, in an effort to make the "allowances" of raw materials for miscellaneous goods for export as satisfactory as possible.

Further improvement is now being planned so that nothing may be left undone as regards the importation of materials for the manufacture of export goods.

Thirdly, attention is called to the rectification of high commodity prices. Any measure calculated directly to lower the prices of export goods would be open to criticism from abroad as a recourse to dumping. Therefore, efforts are being made to control general commodity prices in this country through the enforcement of regulations governing sales prices and other measures that may be deemed necessary in controlling commodity prices.

Fourthly, the existing "export compensation system" has been enlarged in scope so that the same system may be applied to goods for export to all parts of the world market and the compensation premiums be lowered, with a view to facilitating the financing of foreign trade. At the same time, it has been arranged that what is to be known as the system of compensating losses of loans advanced on exports will be newly introduced in order to improve trade

finances.

Fifthly, remedial measures have to be taken, apart from those to be worked out through diplomatic channels, in order to remove the economic pressure which has been brought to bear on Japanese goods in overseas markets. For this purpose close contact is being maintained within the various quarters concerned so as to make Government aid available for Japanese merchants in regions where Chinese residents are thriving in business and to rectify mistaken views of the Japanese situation on the part of overseas buyers with the aid of trade information agencies and other private organizations in markets where feelings unfavourable to Japan prevail or knowledge of the Japanese financial conditions is lacking.

Sixthly, exports to the Kwantung Leased Territory, Manchoukuo and China are being controlled in order not to exceed the volumes actually needed in those countries. This control is being effected through enforcement of official regulations, control of distribution and other measures, with a view to increasing the exportation to third Powers of goods manufactured out of imported materials so as to amplify the nation's power to buy from third Powers, inasmuch as the exports to the "Yen-bloc" countries rose amazingly during 1938.

Moreover, foreign trade among the same group of countries has to be restored to normalcy as speedily as possible. For this purpose, it is necessary to expedite operations for the development of their natural resources and promote the importation of materials from these resources into Japan. Hence, the problem of controlling exports to the "Yen-bloc" countries will have to be considered in conjunction with the question of how to promote import trade with these countries.

In the seventh place, other measures are being taken with the object of generally improving foreign trade. The most notable among such efforts is the organization of missions tasked with investigation of overseas markets. These groups have been sent to various parts of the world since 1937, when five of the missions toured the Near East, East Africa, West Africa and South America. The information brought back by these missions having proved considerably serviceable for the purpose of formulating Japan's future trade policy towards these parts of the world, three more similar missions were sent to India, Central America and North America respectively in September, 1938.

Another measure taken for similar purposes calls for the opening of trade facilities bureaus abroad, which were opened at 14 places in foreign countries during 1937. The number of these offices

were increased by 12 during 1938 in order to make this system more widely available throughout the world.

The measures outlined above are calculated to meet the urgent requirements of the prevailing situation. Yet it is not anticipated that they will bring immediate results in trade statistics. The Government is fully prepared to take further measures in order to improve the export of Japanese goods. It will keep in close touch with the existing industrial machinery for this purpose, for it in no way regards its own measures as a panacea for Japan's foreign trade. The expected stimulation of exports will play an important part in increasing Japan's power to buy from abroad and in making it possible for the nation's wartime economy to operate smoothly. Upon the life of the people, the importance of Japan's foreign trade is not so apparent. Economic conditions within the country have remained stable for the past several years. The Government's attention to matters of foreign trade is a part of its general concern for the development of all phases of national economy and national strength.

STUDENT LABOUR IN THE SUMMER OF 1938

DEPARTMENT OF EDUCATION

COLLECTIVE labour services on the part of students of various ages are of particular value to the nation in a time of emergency. They help to round out the educational programme; they improve the student morale; and the actual work accomplished is beneficial to the country at large. The results of student services during summer vacations in 1938, therefore, are worthy of review from the point of view both of education and of national purpose.

Last June, the Department of Education instructed local governors, presidents of public and private universities and the principals of schools and colleges under its direct control to take up this work in their institutions during the approaching vacation season, after making full preparations taking into consideration local circumstances and environmental conditions.

As such work was to be the first of its kind in Japan, some doubts were felt as to the methods, time and other details of its practice. The Department of Education made tentative suggestions along the following lines.

The Outline Proposed

(a) The time to be adopted should preferably be either at the beginning or end of the students' summer vacations and should last for an average of three days among lower classmen and five days among upper classmen (five days for all students in normal schools and other schools admitting graduates of senior primary schools). This, however, should be subject to modification according to circumstances.

(b) The nature of the work should be decided after taking into consideration the students' physiques, their mental conditions, and the possible effects that the work may have on scholastic procedure.

(c) In general, students should be divided into groups so that all may take part in the work; faculty members should join in the undertakings; when necessity arises according to the nature of the work, the student parties should lodge together for the duration of the service, utilizing school buildings, dormitories, neighbouring temples, or setting up camps for accommodations. It is considered appropriate that the students lead a group life during the service period.

(d) The kind of work to be done should be chosen in consultation with local authorities. The following kinds of work are recommended:

1. Work of clearing, trimming, weeding and general cleaning in school grounds, experimental gardens, farms, plantations, etc.
2. Helping the families of those in service at the front with their farm, household and other work.
3. Clearing, repairing and other similar work in the compounds of shrines, temples, etc.
4. Simple manual labour in making park or playground equipment.
5. Simple manual labour in the preparation of war materials.
6. Farm work such as land cultivation, felling trees, etc.
7. Simple engineering work such as the reclamation of land and road mending.

(e) The physical and mental development of the students should be considered fully in preparing the schedule of work and rest; first-aid measures for cases of emergency should be available.

(f) Walking should be encouraged in going to and from the places of work.

(g) The necessary tools should be shared as much as possible between the schools or be prepared in consultation with local authorities.

(h) All work should be carried out from beginning to end in perfect order and discipline.

Actual Accomplishments

Inasmuch as the general instructions outlined above were issued but a short time before the vacation season, and as the work was the first of its kind in Japan, the Department of Education awaited reports on the actual accomplishments of the collective groups with considerable interest.

In Universities and Other Higher Schools

Statistics, excluding those from 19 schools whose reports have yet to be filed, show that the aggregate number of participants in the collective labour services was 130,500. Of this number, 11,500 were from universities and special university departments and 120,000 from the colleges and other higher schools. In terms of individual work-days, the totals exceed 450,000 days for men students and 90,000 for women students. Thus, the programme may be regarded as a success since the above numbers of students represent one-

sixth of the total enrolment in universities and practically the total enrolment in colleges and higher schools, excluding the ill and physically unfit. A total of 10,600 faculty members, 9,400 from men's schools and 1,200 from women's schools, joined with the students in work and toil, increasing the general value of the collective undertaking.

For reasons of convenience, most schools carried out their programmes either at the beginning of the vacation period (153 schools) or at its end (144 schools), some at both times and only nine schools in other periods. The work itself lasted five days in most cases (154 schools), six or more days in 44 schools and less than four days in 30 schools.

Concerning the kind of work accomplished, the following statistics have been received: weeding and clearing in the school compound, 123 schools; simple civil engineering and other labour, 87 schools; services relating to fatigue-duty, 52 schools; road mending and clearing work at temples, etc., 37 schools; reclamation, tilling and farm work, 30 schools; making school grounds, playgrounds and mountain huts, 29 schools. Obviously, work within the school grounds was found the most satisfactory in general. It is hoped that in the future the more laborious work of reclamation and civil engineering may be undertaken in greater measure, local conditions permitting.

In Schools of Middle Grade

Although complete statistics have not yet been received, those at hand are sufficient to reveal the general trend.

We find that the middle schools divided in following two systems. One of these operated with the prefectural office at the centre; all the schools under its jurisdiction undertook the same programme *en bloc* to accomplish particular objectives with special methods of work. Examples of this system are the Sokoku Shinko Tai, or Band for Promotion of the Fatherland, in Miyazaki Prefecture and the Kinro Hokoku Tai, or National Labour Service Band, in Ishikawa Prefecture. To this group, too, may be added the schools in the prefectures of Osaka, Nara, Fukui and Miyagi, since they acted as parts of organized bodies under single management, although the methods and times of work differed among the schools. Under the second system, each school adopted its own programme which it did not share with other groups. Nevertheless, the work was coordinated through the guidance and encouragement of the prefectural offices.

Many of the middle schools had the students lodge together during the work period, while others, particularly girls' schools, did not do so. Where lodging was provided, the students held lecture meetings and took part in such sports as jujitsu and Japanese fencing.

With regard to the kind of work done, clearing and cleaning of school grounds was most popular, followed by the mending of roads and river banks and fatigue duty. Next in order came tree-planting, farm cultivation and gardening. The places of work in most cases were in the neighbourhood of the schools, easily accessible to students on foot.

Expenses incurred in the undertakings were chiefly for the purchase of necessary tools and, where the need arose, for lodging. In most cases the costs of tools were met by the schools, while the students paid for their own lodging. In the Hokkaido, where 92 schools participated, total expenses amounted to 22,750 yen (6,937 yen for tools and 14,204 yen for lodging); and in Hiroshima Prefecture, where 96 schools participated, the expenses were 23,688 yen (11,364 yen for tools and 8,669 yen for lodging).

To give an accurate picture of the collective labour services, statistics for four prefectures are printed below.

1. NUMBERS OF STUDENTS AND SCHOOLS PARTICIPATING

		Prefectures			
		Hokkaido	Ishikawa	Hiroshima	Saga
Number of schools		92	37	96	36
Number of students	boys	21,060	8,753	20,774	9,156
	girls	19,912	6,321	19,219	5,847
	total	40,972	15,074	39,993	15,003

2. KINDS OF WORK (according to schools)

	Prefectures			
	Hokkaido	Ishikawa	Hiroshima	Saga
In school grounds	26	16	38	23
In temple grounds	6	2	17	8
Tree-planting, etc.	13	5	26	10
Road mending, etc.	6	10	21	13
Washing, sewing, etc.	8	10	4	2
Fatigue duty	10	4	25	12
Engineering projects	14	2	13	3
Gardening	12	6	15	3
At aerodromes and playgrounds	9	6	1	0
Miscellaneous	1	1	2	2

3. LODGING PLACES (according to schools)

	Prefectures			
	Hokkaido	Ishikawa	Hiroshima	Saga
Lodging in :				
Dormitories	15	4	14	6
School houses	32	4	20	11
Temples, etc.	18	5	16	6
Not lodging	37	25	62	15

4. EXPENSES

	Prefectures			
	Hokkaido	Ishikawa	Hiroshima	Saga
For tools	¥6,997	¥1,093	¥11,364	¥2,234
For lodging	14,304	2,973	8,668	5,363
For transportation	689	114	1,005	58
Other expenses	760	230	1,650	595

THE PROGRAMME FOR ECONOMIC DEVELOPMENT OF CHINA

BOARD OF PLANNING

II

IN the last issue of TOKYO GAZETTE, an outline was given of the China development programme, particularly with reference to functions and operations of the North China Development Company and the Central China Promotion Company. In the present article, undertakings for development and promotion purposes to be conducted by their subsidiary companies will be discussed rather fully. And in doing so, those in North and in Central China will be taken up separately.

In North China

The vital importance of public utility enterprises, such as transportation and harbour and port improvements and generation and transmission of electricity in relation to the general work of development of natural resources, is widely recognized. Naturally, such undertakings will be considered first.

With regard to transportation and harbour and port improvements, an immediate proposal has been the creation of a concern with the operation of railways as its principal undertaking. The question, however, as to the advisability of operating undertakings relating to harbours and ports, which have functions as essential as railways in the economic development of that part of China, under one and the same management is still an open one; concrete plans concerning this company have not been decided on.

In North China there are many railways, including the Peking-Shanhaikwan, Peking-Hankow, Tientsin-Pukow, Peking-Paotow, Shansi, Chengting-Taiyüan, Tatung-Puchow, and Shantung (Kiao-Tsi). These lines will be managed by the new railway company and the Tungchow-Kupeikow Railway, constructed by Japanese interests, which connects the Chengteh-Kupeikow Railway of Manchoukuo with the Chinese line connecting Kupeikow, Tungchow and Peking, can also be thought of as coming under the same management after the termination of the present conflict. Construction of the Tsangchow-Shihkiachwang Railway, which connects Shihkiachwang,

Tsangchow and Tientsin, and which was under negotiation between Japan and the Hopei-Chahar Political Council, and of an extension line of the Shantung Railway may be called for in the near future as undertakings of the new concern.

With regard to harbour and port improvements, much is to be done by Japanese aid, since North China harbours and ports, such as Tientsin, Chinhwangtao, Chefoo, Weihaiwei, and Lungkow are all far from being satisfactory. In particular, improvement of the port of Tientsin is a matter of urgent necessity. The port of Tangku, which forms the outer port to the former, is situated a few miles upstream from the estuary of the Paiho, and vessels over 3,000 tons cannot be laid alongside the wharf on account of the constant discharge of mud, narrowness of the river, and lack of adequate wharf facilities. The case of Tientsin Port, which is in the distance of four hours' cruise upstream from Tangku, has been still worse, particularly in recent years. Thus vessels over 2,000 tons are not navigable, which means that many vessels have, at present, to anchor outside the sand-bank known as the Tangku Bar, and load and unload cargoes by lighters. Such a condition is even further inconvenienced with the coming of low tide; not only those vessels but also tug-boats cannot clear this bar except at high tide which comes twice a day. Such a port as can be made use of only by continually dredging the river-bed can never be improved as the only port for North China. The feasible way of solving this difficulty is to construct a port somewhere outside the mouth of the river, a port which will not be affected by mud discharged from the river. For this purpose expert investigations and studies have been conducted. Realization of such improvement and extension or construction of Tientsin Port is exigent, aside from the question as to whether port and harbour improvements be included in the undertakings of the new railway company.

With regard to communications services, a concern named the North China Telegraph and Telephone Company, Limited, was established on July 30, 1938. This concern is capitalized at 35,000,000 yen, which is made up of investments by the Provisional Government at Peking amounting to 10,000,000 yen, including that in the form of equipment and other capital goods, and investments amounting to 25,000,000 yen by the North China Development Company and other companies operating in enterprises closely related to communications. Its main line of business is to construct and operate wire and wireless telegraph and telephone services, including the submarine cable. The successful operation of this new concern is expected to work greatly toward the realiza-

tion of a communications policy based on Japanese-Manchoukuoan-Chinese collaboration. Needless to say, this concern is operating in communications services not only between different parts of North China but also between Japan, Manchoukuo, and the rest of the world.

Establishment of a concern or concerns for the purpose of generation and transmission of electricity, important as this is, has not as yet been fully decided on. Electric light and power companies operating in North China have not been prosperous. This is due mainly to higher rates of light and power caused by the insufficient amount of capital, the lack of superior technique, and the consequent irrational planning for generation and inefficient management of business. Besides the generating plants of these power and light companies, there are plants owned and operated by important mines and factories, which number over 100 in North China alone. All these generating and transmission systems must be controlled in a comprehensive way with a view to supplying cheap power for the benefit of the mass of the Chinese people and at the same time for facilitating the progress of economic development. In this connection, the questions as to whether the principle of one company for one class of undertakings should be applied to electrical undertakings and whether that of one company each for one district—in other words, several companies for one class of undertakings—is to be applied to them are yet to be decided on. With regard to the system of generation, abundance of coal resources in that part of China has necessarily made all the generating plants there, as is well known, adopt the thermal generation system. However, the hydraulic system may be adopted by utilizing the water of the Lwanho, which rises in the Chengteh region in Jehol, Manchoukuo, and flows into Pohai Bay. Investigations are now being conducted by experts. To unify voltage and frequency with a view to the completion of a network of generation and transmission throughout the whole of North China under a unified plan must also be made an objective of the new concern.

Natural Resources

Enterprises for developing natural resources which will likely be aided and placed under the coordinated control by the Development Company through investment and financing, as have been previously explained, are mines and those relating to the manufacture, sale and utilization of salt. With regard to the former, iron and coal mines will be the first to receive Japanese aid.

Deposits of iron ores in North China amount approximately to 200,000,000 tons, representing more than half of the deposits in the whole of China which are said to be 350,000,000 tons. Of these only a small portion has been developed and produced. The mine having the largest deposits is the Lungyen Iron Mine in Chahar Province. Here the deposits are said to amount to some 90,000,000 tons. For the development of this mine, a semi-official company was established in 1918, and the construction of an iron works with one blast-furnace was started in Shihchingshan near Peking. The mine was supplying iron ores to the iron works at Hanyang. However, construction work and the supplying of ores were given up during the World War.

In Shansi Province, 30,000,000 tons of iron ores are said to lie in deposit, and iron works with blast-furnaces, though on a small-scale, have been established in Taiyüan and Yangchwan. A steel plant was even being planned in Taiyüan. All this is a manifestation of General Yen Hsi-shan's policy of autarchy based on the so-called Shansi Monroe Doctrine. Since, however, the ores in the Province are mostly lying dispersed and deeply deposited in the ground, their large-scale and speedy development cannot be hoped for.

In Shantung is the Chinlingchen Iron Mine. This was formerly known as the Tehhwa Company, a Sino-German joint enterprise, and placed, along with coal mines, under the management of the Lutai Company, a Sino-Japanese joint enterprise, as a result of the Shantung Agreement after the World War. As the ores found in this mine, are not suited to the ordinary process of manufacture, and also as the business could not be operated profitably, the mine has not been in operation. The deposits are estimated at between 13,000,000 and 15,000,000 tons.

An iron mine company which is expected to be established soon may centre its operations in the development of the Lungyen Mine. Iron works at Shihchingshan, Taiyüan and Yangchwan may also come under its management. Part of the ores from this mine and the surplus of pig iron produced in these iron works will be exported to Japan, while steel produced will be consumed on the spot. Already the Hsingchung Company is exporting to Japan the ores mined years ago.

Coal is another important mineral product in North China. In Shantung Province, deposits are said to total more than 1,500,000,000 tons. Important coal-fields in the Province are those at Poshan, Tzechwan, Changkiu and Fangtze. Their annual outputs amount to 1,500,000, 7–800,000 and 4–50,000 tons respectively. Of these, the Tzechwan and Fangtze Mines have

been operated by the Lutai Company, which has been referred to elsewhere. And the Poshan Field includes the Heishan Mine, which produces coal of superior quality. This mine, operated by the Potung Company, a Sino-Japanese joint enterprise, produces more than 100,000 tons annually, a certain amount of which has been exported for making coke and for other purposes.

Along the Lung-Hai Railway, to the east of Hsüchow and to the north of Taierhchwang, there is the Chunghsing Coal Mine, which, producing coal of superior quality amounting annually to some 1,700,000 tons, has been supplying Central China. Along the Shansi Railway and not far from the Hopei-Shansi border is the Tsingsing Coal Mine, whose annual output amounts to 700,000 tons. In this neighbourhood also is the Chengfeng Mine, whose annual output is 300,000 tons. The former is owned by the Hopei Provincial Government and had been invested in partly by German interests. German holdings, however, were purchased toward the end of last year by the Hsingchung Company. Hopei Province has a coal-field also at Mentowkow, southwest of Peking. This coal-field, with an annual output of 300,000 tons, has been operated as an Anglo-Chinese enterprise.

Deposits in the Kailan Coal Mine an Anglo-Chinese joint enterprise, are said to be over 300,000,000 tons and annual outputs range from 4,600,000 to 5,000,000 tons. The coal from this mine is of a superior quality and adequate for industrial uses, particularly for the use of the iron industry; Japan is also importing it annually to an amount exceeding 1,000,000 tons. This enterprise will not come within the scope of the Development Company.

The above description of coal deposits in North China is sufficient to give readers an idea of how rich that part of China has been in coal resources. That, however, represents only part of the whole deposit. In Shansi Province the deposits are estimated at twenty times as much as the total amount of the figures given in the foregoing, that is to say, at tens of billions of tons. These resources, fabulously rich as they are, have never been developed as they should be. The only coal-field developed on a relatively large scale is that in the Tatung district, which is situated at the northern extremity of the Province. Even that is quite insignificant in annual output as compared with the deposits, the former being approximately 500,000 tons and the latter more than 10,000,000,000 tons. Another coal district with huge volumes of deposits is the Fenlin Mine along the Fen River. Deposits in this mine alone are estimated at some 30 billion tons. Other coal fields in North China are: Pingting and Taiyüan in Shansi; Sintai, Ichwan, Hwafeng

and Hwapao in Shantung; Tzuhsien, Lingcheng and Tsitang in Hopei; and Liuhokow and Chiaotso. The last named is operated by an Anglo-Chinese joint concern. Thus the deposits in all the Provinces of North China are estimated to total to 130–40 billion tons, representing 50–70 per cent of those of the whole of China. The total annual output, however, amounts to no more than some 15,000,000 tons. Here again, the question as to the principle governing the number and distribution of companies to be established for the mining and sale of coal from those widely dispersed coal-fields and its sale has yet to be decided on.

In developing these coal resources, the new company will aim at ensuring smoothness in the domestic consumption of coal in China by carrying out controlled supply, and at the same time meeting its demands in Japan, particularly the urgent demands for cohesive coal for the purpose of manufacturing iron. The volume of coal consumption in Japan will rapidly increase with the development of her industry, while the increase in production of coal is not likely to keep pace with such growing demands. As things stand, it will be necessary, ten years hence, to import annually hundreds of millions of tons. In the light of the current rates of foreign exchange and of transportation charges, not to speak of the programme of industrial expansion in Manchoukuo, which will perhaps demand the greater part of her own coal outputs, the natural direction to which Japanese industry will turn for the supply of coal must be that of China.

Coal fields in Kailan and in Shantung alone, however, cannot be depended upon for such a purpose, because of their limitations in outputs, natural conditions or ages. The field most suitable for the purpose, in other words, for large-scale new development is held by many experts to be the Tatung field, the annual output of which can be made, according to them, to reach the 200,000,000 ton level.

A concern for operating in the production, by liquefying coal, of liquid fuels, in which the three countries of Japan, Manchoukuo and China are suffering from shortage, is also being planned.

As for an enterprise concerned with the manufacture, sale and utilization of salt, it constitutes an indispensable item in the development programme; and its foundation, of course, is the salt field. Principal fields in North China are the Changlu Salt-Field in the neighbourhood of Tangku and along Pohai Bay and the Shantung Salt-Field with Kiaochow Bay as its centre. In China, however, the exportation of salt has not only been prohibited except in cases where there are special international agreements, such as the Treaty of Shantung, but also rendered impossible on account of the

imposition of the extremely high rate of taxation. Consequently, conditions wherein hundreds of thousands of tons of surplus salt were piled up on the shore had existed. Before the outbreak of the present Affair, negotiations between Japan and both the Nanking Government and the Hopei-Chahar Régime resulted in the lowering of their tax rates and the permitting of the exportation of salt. Accordingly, Changlu salt began to be exported to Japan by the Hsingchung Company. With regard to Shantung salt, Japan has been buying a certain given amount annually at a low tax rate as stipulated in the Treaty of Shantung. The annual demand for salt in Japan, on the other hand, amounts at present to over 2,300,000 tons, comprising 800,000 tons for food and 1,500,000 tons for industries. These figures, however, will be doubled in the near future as soda industries develop. Salt for industrial purposes is used, up to 95 per cent, in these industries, and of the soda products more than half will be used for the manufacture of rayon and staple fibre. Thus, salt for industrial purposes, soda, rayon and staple fibre are closely related, and the supply of salt of this kind has an important bearing upon Japanese industries, particularly upon the textile industry.

Salt imported to Japan from overseas territories and foreign countries, which amounts even today to 1,500,000 tons, can be classified, according to the places of its production, into two kinds, pelagic and coastal salt. The latter kind is imported, excepting the supply from overseas territories, from Manchoukuo, China, French Indo-China and Java; while the former is imported mainly from African Eritrea, Italian and French Somaliland, Egypt, Sudan and Aden. For supplying the growing demands of salt in Japan, it is certainly advisable, for economic and other reasons, to depend as much as possible upon salt from China. Accordingly, the rehabilitation and increase of production of Changlu and Shantung salt by the new concern are urgently called for from the standpoint of the expansion of Japanese industries as well as from that of the domestic consumption in China for food and industries.

With regard to the utilization of salt, the soda factory owned by the Yungli Company and the salt works owned by the Chita Company, both of which are in Tangku, as well as the salt works owned by the Yungyu Company at Tsingtao, are likely to come under the management of the new concern. A plant for washing salt is also being planned by the same concern.

In Central China

Industrial promotion in Central China has been planned to include the reconstruction and development of railways centring in Shanghai, bus and communication services, electrical undertaking, waterworks, mining and fisheries. Plans regarding concerns to be established as subsidiary companies of the Central China Promotion Company have been making progress.

Of the above enterprises, the most important are railways. Since Central China is the most densely populated area in all China and since it contains in it Shanghai, the economic centre, and Nanking, the former political centre, the demands for transportation services have been exceedingly great, as has been evidenced by the fact that railways there have a total length of 800 kilometres despite the growth of water-transportation on the Yangtze and other rivers. Railways in North China are the Nanking-Shanghai Railway; Shanghai-Hangchow-Ningpo Railway, which connects the three cities, though uncompleted between Hangchow and Ningpo; the Soochow-Kashing Railway; and the Kiangnan Railway connecting Nanking, Wuhu and Sunkianpu, Anhwei Province. All these railways were greatly damaged by the recent fighting, and are now being operated by the Japanese Army which has repaired them temporarily. It is exigent for the restoration of peace and order and the transportation of goods and passengers that they should be reconstructed and their rolling stock replenished. The new railway company to be established will take up the work of rehabilitation and operation of these lines. Furthermore, it is planning to construct new lines connecting the existing lines with the Woosung and the Hongkew wharf in Shanghai.

With regard to communications services, a concern named the Central China Communication Company, Limited, was established on July 30, 1938. This concern is capitalized at 15,000,000 yen, of which 6,000,000 yen represents an investment by the Promotion Company, 4,000,000 yen that by communications interests in Japan, and 5,000,000 yen that by the New Government at Nanking in the form of existing equipment. The new concern will function for the unification and operation of wire and wireless telegraph and telephone services between China and Japan and between cities and localities in that part of China, and at the same time for the restoration and operation of wireless communications with the rest of the world and of cable communications with North China. Plans for the improvement and extension of services will also be taken up.

Radio broadcasting, belonging as it does to the same category of

undertakings, will not, for the time being, be included within operations of the Communication Company.

A concern, the Central China Electric Company, Limited has also been established for the purpose of operating in electrical and water-supply undertakings. Of its capital of 25,000,000 yen, 7,500,000 yen represents an investment by the Promotion Company, 2,500,000 yen that by Japanese electrical interests, and 15,000,000 yen that by the Chinese in the form of the equipment, comprising 9,000,000 yen for electricity and 6,000,000 yen for water supply.

Operation of the new electric company will be started on the basis of a merger of electric companies at Nantao, Chapei, Pootung, Sianghwa, Chenju, and Tachangchen, and also of two water-supply companies in the Shanghai district. The first step in the activity of the concern will be to restore the operations of those old companies on the new basis, and then to try to effect the coordinated development of electrical undertakings in the entire area in Central China under Japanese occupation. Thus, enterprises at Soochow, Wuhsi, Hanchow and Nanking will be brought under its management by acts of purchase. On the other hand, the water supply service will be made a separate, independent concern in the future when circumstances become favourable.

Iron Mines

Central China has also been blessed with iron mines, the most essential natural resource for modern nations. Iron deposits in the Yantze Valley are said to amount approximately to 100,000,000 tons, representing 35 per cent of the total deposits in all China. Favourably situated geographically and producing rich ores, these resources have been developed to a greater extent than those in North China. Viewed as a whole, however, the development of iron resources in the country has been extremely insignificant in relation to the total volume of deposits of the ores, their total annual output being no more than 1,300,000 tons.

In the part of Central China under Japanese occupation, districts lying between Nanking and Tunglinghsien, Anhwei Province, are rich in these resources. As a matter of fact, the Nanshan, Tawashan, Tungshan and Hwangmeishan Iron Mines, which lie to the northeast of Taiping, have been supplying ore to Japan. Other mines similarly supplying Japan with their rich iron ores are Chungshan, Tiaoyushan and Taochung. These and undeveloped mines in the lower Yantze Valley, including those in the neighbourhood of Lake Weishan, are estimated to hold deposits amounting to

more than 100,000,000 tons.

For the purpose of developing these resources, the Central China Iron Mine Company, Limited came into being on April 8, 1938. This company has not as yet been fully capitalized, the only principal investment in it being 10,000,000 yen by Japanese interests, including that of 4,500,000 yen by the Promotion Company. The investment by Chinese interests, other than a negligible amount already invested in the form of deposit money, will be made in the form of equipment and goods, when negotiations have been concluded regarding appraisals of their mines. Furthermore, since the Wuhan district has been occupied by Japan, the rehabilitation and development of the Tayeh and other mines in the upper Yantze Valley have now been called for.

Other Enterprises

A concern for controlling transportation on creeks has also been established as one of the subsidiary companies. Simultaneously, plans are favourably progressing for the creation of concerns to operate in bus services, fisheries, and salt manufacture in the neighbourhood of Haichow.

Thus, through well-planned, thoroughgoing Japanese aid, the economic life of the new China will fast be revived and developed not only for the prosperity of the Chinese people but also for that of all countries in East Asia.

In many of the above-mentioned enterprises foreign capital has been invested. In connection with the further development of the businesses concerned, practical adjustments will have to be worked out with the foreign interests. Study has already been given to this problem and it is expected that local circumstances will soon enable satisfactory solutions to be made. The harmonious collaboration of foreign interests and further investments of capital for the development of China's immense resources will be genuinely welcomed.

A TABLE OF THE WARTIME ECONOMIC STRUCTURE

Purposes	Governmental Steps	Legal Measures
Meeting war expenses (7,400 million yen).	Bond issues (6,700 million yen : Encouragement of savings ; Tax increases (400 million yen) ; Transfers from special accounts (100 million yen).	
Augmentation in production of munition materials.	Expansion of national productive power (principally in mining and heavy industries).	The Temporary Capital Adjustment Law ; Iron Industry Law ; Oil Industry Law ; Law Concerning Artificial Petroleum Industry ; Law Concerning Development of Petroleum Resources ; Law for Increasing Production of Important Minerals ; Airplane Industry Law ; Automobile Manufacturing Industry Law ; Constructional Machinery Industry Law.
Maintenance and improvement of international balance of payments.	Trade control ; Foreign Exchange control.	Foreign Exchange Law ; Law Regarding Temporary Measures Concerning Imports and Exports ; Temporary Import and Export Permit Regulations.

Purposes	Governmental Steps	Legal Measures
Increasing the nation's power to import goods: maintenance of foreign exchange and the international value of currency.	Promotion of export businesses; Foreign Exchange Fund system; Link system; Utilization of bonded factories; System to advance export funds; Increase of receipts in invisible trade; Encouragement of gold production; concentration of gold with the Government; Regulations against profiteering.	Exchange Control Law; Gold Production Law; Law Concerning the Japan Gold Production Company, Limited; Regulation restricting the use of gold;
Restraining rises in commodity prices: stabilization of the living conditions of the people.	Price restraining; Price Commission; Price Adjustment Commission; Standard Maximum Price system; Official Price system; Net Price system; Economic Police system.	Ordinance Controlling Profiteering; Law Regarding Temporary Measures Concerning Imports and Exports; Ordinance Concerning Price Commission; Ordinance Concerning Price Adjustment Commission; Regulation on prices of:—cotton yarn sales; woolen yarn sales; staple fibre and staple fibre yarn sales; and rayon yarn sales; Measure relating to fixing of leather and hide sales prices under the provisions of Article 9 of the Leather Distribution Control Regulation.
Relief to the unemployed and persons who have been forced to suspend businesses on account of restriction on importation and use of goods.	Relief measures for persons who have been forced to change their occupations; Unemployment relief measures; State management of employment offices.	
Replinishment of labour supply required for production of war materials.	Restriction on employment of school graduates; Training of skilled workers.	Article 6 of the National General Mobilization Law.

Purposes	Governmental Steps	Legal Measures
Safeguarding adequate supply of military materials.	Restriction on, and prohibition of use of goods; Control of distribution of goods; Enforcement of above by Economic Police. Encouragement of use of substitute materials; Subsidy for manufacture of substitute materials; Encouragement of reform of the people's way of living.	Law Regarding Temporary Measures Concerning Imports and Exports—Ordinance Relative to the Council on Adjustment of Supply and Demand; regulations concerning the investigation of volumes of important materials in stock; Coal——regulations for controlling distribution of coal; Liquid Fuels — regulations governing sales of volatile and heavy oils; Iron and Steel—permit system against erection of iron and steel structures; regulation restricting manufacture of steel goods; regulation restricting manufacture of pig iron castings; regulation controlling distribution of iron and steel. Cotton — measure regarding restriction on manufacture of cotton goods, on sales of cotton goods and on processing of cotton goods; regulation controlling distribution of cotton yarn; regulation controlling distribution of cotton goods; Non-ferrous metals—regulation regarding restriction on use of copper, platinum, lead, zinc, tin, etc.; Machinery — regulation restricting supply of constructional machinery; Leather—regulation restricting use of leather and hides; regulation controlling distribution of leather and hides; Rubber—measures restricting use of rubber; measure restricting sales of rubber shoes and boots; regulation controlling distribution of rubber; Lumber—regulation on sale of Oregon pine.

AGREEMENT ON CULTURAL COOPERATION BETWEEN JAPAN AND GERMANY

The Imperial Japanese Government and
The German Government

Deeply conscious of the fact that the Japanese and German cultures have their true foundations in the intrinsic Japanese spirit on one side and in the German popular and national life on the other side, and that the cultural relations of both countries are to be based thereupon, and

Being desirous of strengthening more and more the bonds of friendship and mutual confidence so happily connecting both countries already, by deepening their manifold cultural relations and by promoting the mutual knowledge and understanding of both nations have agreed upon the following articles :

Article I

The High Contracting States shall strive to put their cultural relations on a firm foundation and shall most closely collaborate with each other in these regards.

Article II

In order to attain the aim set forth in the preceding article the High Contracting States shall systematically promote their cultural relations in the domains of science and fine arts, music and literature, film and radio, youth-movements and sports, etc.

Article III

The competent authorities of the High Contracting States shall decide by mutual agreement the detailed measures necessary for the execution of the preceding article.

Article IV

The present Agreement shall enter into force on the day of its signature. It shall expire twelve months after one of the High Contracting States shall have denounced it.

In witness whereof the Undersigned duly authorized by their respective Governments, have signed the present Agreement and affixed thereunto their seals.

Done in duplicate, in Japanese and German original texts, at Tōkyō the 25th of November 1938, i.e. the 25th day of the 11th month of the 13th year of Syōwa-period.

(L.S.) HACHIRO ARITA
Imperial Japanese Minister
of Foreign Affairs

(L.S.) EUGEN OTT
Ambassador Extraordinary and
Plenipotentiary of Germany

STATEMENT BY THE FOREIGN OFFICE

—CONCERNING THE CONCLUSION OF THE AGREEMENT ON CULTURAL COOPERATION BETWEEN JAPAN AND GERMANY—

(November 25, 1938)

The cultural relations between Japan and Germany in the domains of medicine, jurisprudence, literature, music, etc. have always been particularly close. In the recent past the general relations of the two countries to each other have become even closer especially since the conclusion of the Anti-Comintern Pact.

When in September this year the German Government proposed to the Japanese Government the conclusion of an agreement upon which the further consolidation and expansion of their cultural relations should be based, the Japanese Government gladly accepted the proposal. The conclusion, after a short negotiation, of the agreement on cultural cooperation concluded and put into force today is heartily welcomed as another token of the friendly relations so happily connecting Japan and Germany. The agreement is the first of its kind put into force by Japan. It clearly affirms in its preamble that the characteristic features of the cultures of both countries shall be the basis of the future cooperation of the two Governments in promoting their cultural relations. The agreement itself gives the general principles to be acted upon. Within its scope of the many questions to be taken up, the competent authorities are to come by mutual agreement to determinations on the following points :

1. Establishment of committees for cultural work.
2. Maintenance and expansion of cultural institutions.
3. Recommendation of teachers.

4. Facilities for Government students.
5. Exchange of professors and students.
6. Promotion of friendly relations between organizations of young people.
7. Favourable treatment of schools.
8. Exchange of books and periodicals.
9. Exchanges in the realm of art.
10. Exchange of films.
11. Exchange of broadcasts.
12. Exchanges in the fields of sport and hygiene.

STATEMENT OF THE SPOKESMAN OF THE FOREIGN OFFICE

—ON THE CULTURAL AGREEMENT BETWEEN JAPAN AND GERMANY—

November 25, 1938

Negotiations for the conclusion of a cultural agreement between Japan and Germany have been conducted for some time by the representatives in Tokyo of the two countries. The fact that the agreement has been signed and put into effect today is a matter for sincere congratulations. The agreement will not only draw still closer the cultural relations between the two nations, but willenable them to deepen their knowledge and understanding of each other.

Japan has recently severed all relations with the League of Nations. This, however, does not mean that Japan has severed her cultural relations with foreign countries or suspended her co-operation with them in the cultural field. On the contrary she is as ready as ever to cooperate in cultural undertakings with those foreign countries in friendly relationship with her, whether they are member states of the League or not.

The agreement, signed between Japan and Germany today, is a manifestation of the earnest desire of the Japanese Government for tstrengthening cultural ties with foreign countries through agreements to be concluded separately on a basis of reciprocity. It is the first of the kind to be put into operation, but we hope that it will be followed by similar pacts to be concluded with as many foreign powers as possible. For instance, a cultural agreement was signed between Japan and Hungary on November 15th and is expected to go into effect in the near future, whil

preparations are under way for concluding a similar agreement with Italy. It is the policy of the Japanese Government to accelerate conclusion of cultural agreements with those foreign powers which are desirous of so doing.

The key-note of these agreements lies in an exchange and intermixture of Japanese culture whose essence will be fostered and developed and the essentials of the cultures of various foreign countries. The present cultural agreement between Japan and Germany provides for a general policy in cooperation between the two countries under the above-mentioned guiding principle.

Various fields of activities, stipulated by Article II of the present agreement, are only given as examples. Cultural pacts between foreign countries usually have detailed stipulations, but the present one between Japan and Germany is rather different in stipulating general provisions for cultural cooperation and leaving room for giving full play to them as occasion demands. Matters of detail shall be discussed and decided on between the competent authorities of the High Contracting Parties from time to time.

CONCERNING AMERICAN RIGHTS AND INTERESTS IN CHINA

I

The Note of the American Ambassador to Tokyo to the Japanese Minister for Foreign Affairs

ON the occasion of the interview which Your Excellency accorded me on October 3rd, when I had the honor to convey orally the views and desires of my Government with regard to conditions in China being brought about by agencies or representatives of the Japanese Government, which are violative of or prejudicial to American rights and interests in China, I undertook to set forth and to extend those views and desires in a note to be presented shortly thereafter. In fulfilment of that undertaking and under instruction from my Government, I now have the honor to address Your Excellency as follows :

The Government of the United States has had frequent occasion to make representations to Your Excellency's Government in regard to action taken and policies carried out in China under Japanese to which the Government of the United States takes exception as being, in its opinion, in contravention of the principle and the condition of equality of opportunity or the " open door " in China. In response to these representations, and in other connections, both public and private, the Japanese Government has given categorical assurances that equality of opportunity or the open door in China will be maintained. The Government of the United States is constrained to observe, however, that notwithstanding the assurances of the Japanese Government in this regard violation by Japanese agencies of American rights and interests has persisted.

As having by way of illustration a bearing on the situation to which he Government of the United States desires to invite the attention of the Japanese Government, it is recalled that at the time of the Japanese occupation of Manchuria the Japanese Government gave assurances that the open door in Manchuria would be maintained. However, the principal economic activities in that area have been taken over by special companies which are controlled by Japanese nationals and which are established under special charters according them a preferred or exclusive position. A large part of American enterprise which formerly operated in Manchuria has been forced to withdraw from that territory as a result of the preferences in force there. Arrangements between Japan and the regime now functioning in Manchuria allow the free movement of goods and funds between Manchuria and Japan while restricting rigidly the movement of goods and funds between Manchuria and countries other than Japan.

This channeling of the movement of goods is effected primarily by

means of exchange control exercised under the authority of regulations issued under an enabling law which provide expressly that for the purposes of the law Japan shall not be considered a foreign country nor the Japanese yen a foreign currency. In the opinion of my Government equality of opportunity or open door has virtually ceased to exist in Manchuria notwithstanding the assurances of the Japanese Government that it would be maintained in that area.

The Government of the United States is now apprehensive lest there develop in other areas of China which have been occupied by Japanese military forces since the beginning of the present hostilities a situation similar in its adverse effect upon the competitive position of American business to that which now exists in Manchuria.

On April 12, 1938 I had occasion to invite the attention of Your Excellency's predecessor to reports which had reached the Government of the United States indicating that discrimination in favor of Japanese trade with North China was likewise to be by means of exchange control and to ask for assurances that the Japanese Government would not support or countenance financial measures discriminating against American interests. Although the Minister for Foreign Affairs stated then that the Japanese Government would continue to support the principle of equal opportunity or open door in China no specific reply has yet been made by the Japanese Government on the subject of these representations.

The Government of the United States now learns that the Japanese authorities at Tsingtao have in effect established an exchange control, that they are exercising a discretionary authority to prohibit exports unless export bills are sold to the Yokohama Specie Bank, and that the Bank refuses to purchase export bills except at an arbitrary rate far lower than the open market rate prevailing at Tientsin and Shanghai. A somewhat similar situation apparently prevails at Chefoo. Furthermore, reports continue to reach the American Government that a comprehensive system of exchange control will soon be established throughout North China. Control of foreign exchange transactions gives control of trade and commercial enterprise, and the exacting, either directly or indirectly, by the Japanese authorities of control of exchange in North China would place those authorities in position to thwart equality of opportunity or free competition between Japan and the United States in that area. In such a situation, imports from and exports to the United States, as well as the choice of dealers in North China, would be entirely subjected to the dispensation of the Japanese authorities. Notwithstanding the short time that exchange control has been enforced in Tsingtao, two cases of discrimination have already been brought to the attention of the Government of the United States. In one instance an American dealer in a staple commodity has been unable to export to the United States because Japanese authorities there have insisted that his export bills be sold to a Japanese bank at a price so far below the current rate of exchange of the Chinese currency in the open market that such transaction would involve a loss rather than a profit; but a Japanese competitor recently completed a large shipment invoiced at a price in United States dollars which was equivalent to the local market price calculated at the current open market rate. In

the other instance, an American firm was prevented from purchasing tobacco in Shantung unless it should purchase so-called Federal Reserve notes or yen currency with foreign money and at an arbitrary and low rate of exchange, conditions not imposed upon the company's Japanese or Chinese competitors.

The Government of the United States has already pointed out to the Japanese Government that alterations of the Chinese customs tariff by the regimes functioning in those portions of China occupied by Japanese armed forces and for which the Japanese Government has formally assured its support are arbitrary and illegal assumptions of authority for which the Japanese Government has an inescapable responsibility. It is hardly necessary to add that there can be no equality of opportunity or open door in China so long as the ultimate authority to regulate, tax, or prohibit trade is exercised, whether directly or indirectly, by the authorities of one "foreign" power in furtherance of the interests of that power. It would appear to be self-evident that a fundamental prerequisite of a condition of equality of opportunity or open door in China is the absence in the economic life of that country of preferences or monopolistic rights operating directly or indirectly in favor of any foreign country or its nationals. On July 4th I spoke to General Ugaki of the desire of the American Government that there be avoided such restrictions and obstacles to American trade and other enterprises as might result from the setting up of special companies and monopolies in China. The Minister was so good as to state that the open door in China would be maintained and that the Government of the United States might rest assured that the Japanese Government would fully respect the principle of equal opportunity.

Notwithstanding these assurances, the Provisional regime in Peiping announced on July 30th the inauguration as of the following day of the China Telephone and Telegraph Company, the reported purpose of this organization being to control and to have exclusive operation of telephone and telegraph communications in North China. There was organized in Shanghai on July 31st the Central China Telecommunications Company, and the Special Service Section of the Japanese army has informed foreign cable and telegraph companies that the new company proposes to control all the telecommunications in Central China. According to a semi-official Japanese press report, there was organized at Shanghai on July 28th the Shanghai Inland Navigation Steamship Company to be controlled by Japanese the reported object of which is to control water transportation in the Shanghai delta area. According to information which has reached my Government, a Japanese company has been organized to take over and operate the wharves at Tsingtao which have hitherto been publicly owned and operated. Should such a development occur, all shipping of whatever nationality would become dependent upon a Japanese agency for allotments of space and stevedoring facilities. The wool trade in North China is now reported to be a Japanese monopoly and a tobacco monopoly in that area is reported to be in process of formation. Moreover, according to numerous reports which have been reaching my Government, the Japanese Government is proceeding with the organization of two special promotion companies which it has chartered and which it will control with

the object of investing in, unifying, and regulating the administration of certain large sectors of economic enterprises in China.

The developments of which I have made mention are illustrative of the apparent trend of Japanese policy in China and indicate clearly that the Japanese authorities are seeking to establish in areas which have come under Japanese military occupation general preferences for, and superiority of, Japanese interests, an inevitable effect of which will be to frustrate the practical application of the principle of the open door and deprive American nationals of equal opportunity.

I desire also to call Your Excellency's attention to the fact that unwarranted restrictions placed by the Japanese military authorities upon American nationals in China notwithstanding the existence of American treaty rights in China and the repeated assurances of the Japanese Government that steps had been taken which would insure the American nationals, interests and property would not be subject to unlawful interference by Japanese authorities—further subject American interests to continuing serious inconvenience and hardships. Reference is made especially to the restrictions placed by the Japanese military upon American nationals who desire to re-enter and reoccupy properties from which they have been driven by the hostilities and of which the Japanese military have been or still are in occupation. Mention may also be made of the Japanese censorship of and interference with American mail and telegrams at Shanghai and of restrictions upon freedom of trade, residence and travel by Americans, including the use of railways, shipping, and other facilities. While Japanese merchant vessels are carrying Japanese merchandise between Shanghai and Nanking, those vessels decline to carry merchandise of other countries, and American and other non-Japanese shipping is excluded from the lower Yangtze on the grounds of military necessity. Applications by American nationals for passes which would allow them to return to certain areas in the lower Yangtze valley have been denied by the Japanese authorities on the ground that peace and order have not been sufficiently restored, although many Japanese merchants and their families are known to be in those areas.

American nationals and their interests have suffered serious losses in the Far East arising from causes directly attributable to the present conflict between Japan and China, and even under the most favorable conditions an early rehabilitation of American trade with China cannot be expected. The American Government, therefore, finds it all the more difficult to reconcile itself to a situation in which American nationals must contend with continuing unwarranted interference with their rights at the hands of the Japanese authorities in China and with Japanese actions and policies which operate to deprive American trade and enterprise of equality of opportunity in China.

It is also pertinent to mention that in Japan, too, American trade and other interests are undergoing severe hardships as a result of the industrial trade, exchange and other controls which the Japanese Government has imposed incident to its military operations in China.

While American interests in the Far East have been thus treated at the hands of the Japanese authorities, the Government of the United States

has not sought either in its own territory or in the territory of third countries to establish or influence the establishment of embargoes, import probibitions, exchange controls, preferential restrictions, monopolies or special companies—designed to eliminate or having the effect of eliminating Japanese trade and enterprise. In its treatment of Japanese nationals and their trade and enterprise, the American Government has been guided not only by the letter and spirit of the Japanese American Commercial Treaty of 1911 but by those fundamental principles of international law and order which have formed the basis of its policy in regard to all peoples and their interests; and Japanese commerce and enterprise have continued to enjoy in the United States equality of opportunity.

Your Excellency cannot fail to recognize the existence of a great and growing disparity between the treatment accorded American nationals and their trade and enterprise by Japanese authorities in China and Japan and the treatment accorded Japanese nationals and their trade and enterprise by the Government of the United States in areas within its jurisdiction.

In the light of the situation herein reviewed the Government of the United States asks that the Japanese Government implement its assurances already given with regard to the maintenance of the open door and to non-interference with American rights by taking prompt and effective measures to cause,

(1) The discontinuance of discriminatory exchange control and of other measures imposed in areas in China under Japanese control which operate either directly or indirectly to discriminate against American trade and enterprise;

(2) The discontinuance of any monopoly or of any preference which would deprive American nationals of the right of undertaking any legitimate trade or industry in China or of any arrangement which might purport to establish in favor of Japanese interests any general superiority of rights with regard to commercial or economic development in any region of China; and

(3) The discontinuance of interference by Japanese authorities in China with American property and other rights including such forms of interference as censorship of American mail and telegrams and restrictions upon residence and travel by Americans and upon American trade and shipping.

The Government of the United States believes that in the interest of relations between the United States and Japan an early reply would be helpful.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

II

The Japanese Reply

The Foreign Office made public at 10 o'clock on the evening of November 18th, the text of the Japanese Government's reply to the

Note of October 6th of the Government of the United States, concerning American rights and interests in China, which was delivered to the American Ambassador to Tokyo, Mr. Joseph C. Grew the same evening by the Japanese Minister for Foreign Affairs, Mr. Hachiro Arita.

I have the honour to acknowledge the receipt of Your Excellency's Note, No. 1076, dated October 6th, addressed to the then Minister for Foreign Affairs, Prince Konoe, concerning the rights and interests of the United States in China.

In the Note are cited various instances based on information in the possession of the Government of the United States that the Japanese authorities are subjecting American citizens in China to discriminatory treatment and violating the rights and interests of the United States.

I now have the honour to state hereunder the opinions of the Japanese Government with regard to these instances.

1. The circumstances which led to the adoption of the present measures concerning export exchange in Tsingtao and the present situation being, so far as the Japanese Government is aware, as set forth below, it considers that those measures cannot be construed as constituting any discrimination against American citizens.

A short time ago the Federal Reserve Bank of China was established in North China whose notes, with an exchange value fixed at one shilling and two pence against one yuan, have been issued thus far to the amount of more than one hundred million yuan, and are widely circulated. These bank notes being the compulsory currency of the Provisional Government, the maintenance of their value and their smooth circulation is regarded as an indispensable basis for the conduct and the development of economic activities in North China. Consequently the Japanese Government has taken a cooperative attitude; and all Japanese subjects are using the said notes, and in their export trade are exchanging them at the rate of one shilling and two pence. On the other hand, the old *fa-pi* still circulating in these areas has depreciated in exchange value to about eight pence per yuan. Consequently those who are engaged in export trade and are using this currency are enjoying illegitimate profits, as compared with those who use the Federal Reserve notes and carry on legitimate transactions at the legitimate rate of exchange: that is to say, Japanese subjects who use the Federal Reserve notes have been suffering unreasonable disadvantages as compared with persons who, while residing and carrying on their business in the areas under the jurisdiction of the Provisional Government of North China, use nevertheless, the old *fa-pi* exclusively.

Furthermore, the existence of the before-mentioned disparity in exchange value between the new notes and the old *fa-pi*, which the Federal Reserve Bank has been exchanging at a rate not very much below par, is bound to exert an unfavourable effect upon the exchange value of the new notes, and eventually upon the exchange value of the Japanese yen.

The Japanese Government feels that it is incumbent upon it not to remain indifferent to such a situation.

The export exchange measures adopted in Tsingtao are calculated to place

the users of old Chinese currency who have been obtaining unfair profits, on an equal footing with those who are using the Federal Reserve notes. These measures are also intended to protect the exchange value of the Federal Reserve Bank notes. Inasmuch as the application of the measures makes no differentiation according to nationality they cannot be considered as discriminatory measures. As a matter of fact, it is through these measures that those users of the Federal Reserve notes who had in a sense been discriminated against, have been placed on an equal footing with the others, and thus enabled to compete on a fair basis.

2. In North and Central China the new Chinese régimes some time ago effected revisions of the Customs tariff in an attempt to secure a rational modification of the former tariff enforced by the Kuomintang Government, which was unduly high and ill-calculated to promote the economic recovery and general welfare of the Chinese people. However, the schedule actually adopted for the time being is the one that was approved by the Powers in 1931, so that no complaint has been heard from foreign residents of any nationality on the spot. The Japanese Government is of course in favour of the purpose of the said revision, believing that it will serve to promote effectively the trade of all countries with China.

3. As for the organization of certain promotion companies in China, the restoration and development of China's economic, financial and industrial life after the present Affair is a matter of urgent necessity for the welfare of the Chinese. Moreover, the Japanese Government is deeply solicitous for the early inauguration and progress of work having for its object this restoration and development, for the sake of the realization of a new order in East Asia, and is doing all in its power in that direction. The North China Development Company and the Central China Development Company were established with a view to giving China the necessary assistance toward the said restoration and also with the aim of contributing toward the development of China's natural resources. It is far from the thoughts of the Japanese Government to impair the rights and interests of American citizens in China or to discriminate against their enterprises. The Japanese Government therefore does not oppose, but welcomes heartily, the participation of third Powers on the basis of the new situation that has arisen.

The telecommunication companies in North and Central China and of the inland navigation steamship company at Shanghai and the Wharfage company at Tsingtao have also been established to meet the imperative need of an early restoration of communications, transportation, and harbour facilities. With the exception of the telecommunications enterprise, which, because of its obvious relation to the maintenance of peace and order and to the national defence, as well as because of its public character, has been placed in the hands of special companies, all these enterprises are turned over to concerns that are ordinary Chinese or Japanese juridical persons, without any intention of allowing them to reap monopolistic profits by discriminating against America or any other Power. As regards the wool trade, while the control of purchasing agencies was enforced for a time in the Mongolian region, it has since been discontinued. There is no plan at present of any sort for establishing a monopoly in tobacco.

4. Concerning the return of American citizens to the occupied areas,

Your Excellency is aware that in North China there is no restriction, excepting in very special cases where the personal safety of those who return would be endangered, while in the Yangtze Valley large numbers of Americans have already returned. The reason why permission to return has not yet been made general is, as has been repeatedly communicated to Your Excellency, due to the danger that persists because of the imperfect restoration of order and also to the impossibility of admitting nationals of third Powers on account of strategic necessities such as the preservation of military secrets. Again, the various restrictions enforced in the occupied areas concerning the residence, travel, enterprise and trade of American citizens, constitute the minimum regulations possible consistent with military necessities and the local conditions of peace and order. It is the intention of the Japanese Government to restore the situation to normal as soon as circumstances permit.

5. The Japanese Government is surprised at the allegation that there exists a fundamental difference between the treatment accorded to Japanese in America and the treatment accorded to Americans in Japan. While it is true that in these days of emergency Americans residing in this country are subject to various economic restrictions, yet these are, needless to say, restrictions imposed not upon Americans alone but also on all foreigners of all nationalities as well as upon the subjects of Japan. I beg to reserve for another occasion a statement of the views of the Japanese Government concerning the treatment of Japanese subjects in American territory, referred to in Your Excellency's note.

As has been explained above, the Japanese Government, with every intention of fully respecting American rights and interests in China, has been doing all that could possibly be done in that behalf. However, since there are in progress at present in China military operations on a scale unprecedented in our history, it may well be recognized by the Government of the United States that it is unavoidable that these military operations should occasionally present obstacles to giving full effect to our intention of respecting the rights and interests of American citizens.

Japan at present is devoting her energy to the establishment of a new order based on genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition of the very existence of Japan, but also constitutes the very foundation of the enduring peace and stability of East Asia.

It is the firm conviction of the Japanese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to the conditions of today and tomorrow inapplicable ideas and principles of the past would neither contribute toward the establishment of a real peace in East Asia nor solve the immediate issues.

However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other Powers in the great work of reconstructing East Asia along all lines of industry and trade; and I believe that the new régimes now being formed in China are prepared to welcome such foreign participation.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

THE SITUATION IN CHINA

I

—ADVANCE OF THE IMPERIAL ARMY—

BUREAU OF INFORMATION, WAR DEPARTMENT

Following the occupation of the three Wuhan cities, Hankow, Wuchang and Hanyang, Japanese forces entered Hunan Province, pushing south along the Canton-Hankow Railway and took Yochow, a strategically important town on Tungting Lake.

Meanwhile, organized campaigns were successfully conducted against the remnants of Chinese troops and guerilla bands in North, Central and South China.

The actual situation prevailing in the Japanese occupied territory is reflected in the organization of peace maintenance commissions by Chinese citizens at Hankow, Canton and other cities in an effort to cooperate with Japan in building up a new order in East Asia.

CENTRAL CHINA

The Front North of the Yangtze River

The campaign against the remnants of Chinese troops in the areas both west and east of the Peking-Hankow Railway still continues. In the region west of the railway, the Japanese forces are driving further west in pursuit of the enemy. One detachment took Tsaoshih, about 24 kilometres west of Yingcheng, on November 4th. The following day, this detachment occupied Sunghochen, about 40 kilometres west of Tean (Anlu) and also Suihsien north of Sunghochen.

The Lotien Sector

While the pincer movement against Hankow was in full swing, the Chinese troops under General Liao Lei which had taken up positions in the mountainous region between Lotien and Yingshan, north of Kwangtsi escaped the Japanese attack. With the occupation of Hankow, however, the Japanese forces turned their attention to those Chinese troops. On November 17th, they took Lotien and on November 19th reduced Yingshan, crushing the flower of General Liao's forces, which consisted of the 138th, 149th, 150th, 170th and 174th divisions.

The Wushih Sector

The military operations in the area north of Wushih developed smoothly with the result that the enemy left 52 dead and 15 rifles, while about 8,000

Chinese soldiers under General Ting Wan, operating on the southeastern shore of Lake Tai formally surrendered to the Japanese on November 15th.

The detachment which had been eliminating remnants of Chinese troops near Wuchen and Sinshihchen south of Lake Tai returned to its original base on November 14th. In this sector, the enemy left 900 dead in addition to 90 who were taken prisoner up to November 15th, while the Japanese casualties were 1 killed and 3 injured. The Japanese capture included 5 trench-mortars, 2 heavy machine-guns and 120 rifles.

It was ascertained that the Chinese casualties during the battle for Hankow included 195,000 killed, while the Japanese spoils of war included about 300 field-guns and some 2,000 machine-guns. A peace maintenance commission was organized in the three Wuhan cities by leading citizens on November 25th.

The Front South of the Yangtze River

A Japanese military detachment which had been sailing up the Yangtze River, leaving Hankow on November 7th, succeeded in landing on both banks of the Yangtze near Linhsiang, about 30 kilometres northeast of Yochow, in face of the enemy on November 10th. Another powerful body of troops landed near Chenglingchih, 8 kilometres below Yochow, on the morning of November 11th. These two detachments in concert with the forces which had been driving south along the Canton-Hankow Railway started a joint attack on Yochow.

The Japanese troops which had been pushing south along the Canton-Hankow Railway and also along the highway from Tungshan to Tungcheng via Tsungyan east of the railway carried everything before them and approached Yochow.

On November 7th, the Japanese forces driving south along the Canton-Hankow Railway broke through the enemy positions on the river bank opposite Sintienchen. These forces, on November 9th, reached Yunki, about 20 kilometres northeast of Yochow and, keeping up their southern drive, occupied Yochow on the afternoon of November 11th.

Part of the forces which successfully reduced Yochow followed up their victory and advanced on Sinkaitang, southeast of Yochow. Another Japanese force, which was pushing south in the area east of Sinkaitang reduced Tsungyang on November 6th and Tungcheng on November 9th.

Chinese guerilla soldiers are still active near the Japanese first line on the front south of the Yangtze, but the majority of the Chinese regular forces have already withdrawn to Nanchang, Changsha and Hengyang. These regular forces are estimated to have lost some 80 per cent of their fighting strength.

The Front West of the Peking-Hankow Railway

The Japanese troops near Chekiangshih, west of the Peking-Hankow Railway, were counter-attacked on the night of November 12th and on the

following day, but successfully repulsed the attackers, dealing them heavy losses.

Part of the Japanese troops at dawn on November 13th advanced to the areas northwest and south of Chekiangshih, by going round the base of Mount Maan (Saddle Mountain) to engage the enemy on the right bank of the Hsiaoche River.

SOUTH CHINA

The Chinese troops which fled from Canton and its neighbourhood have withdrawn north of the line between Sunfeng and Tsingyun, about 120 kilometres northeast of Canton, where they are now busily engaged in the construction of defence works. In the West River district, there are some troops at Szewui and Shiuhing (Chaoching), while remnants of the Chinese troops infest Waichow from time to time.

The Canton Front

Generally speaking, Canton and its surrounding district are quiet. On the evening of November 6th, Japanese troops started operations against the Chinese who had been active in the area northeast of Canton. The Japanese crossed the Liuchishui River in face of the enemy and on the following day succeeded in trapping many Chinese troops. Making a further northern drive, they occupied Fahsien. In the engagements, the enemy left some 800 dead, while the Japanese casualties were 5 killed and 4 injured, and the capture included bridge building materials enough for two companies of engineers, 2,000 cases of gasoline and a large number of machine-guns and rifles.

The Canton-Kowloon Railway Front

A clean-up campaign against the remnants of Chinese troops in the triangular area between the East River and the British leased territory at Kowloon was started on the morning of November 19th and successfully concluded on November 26th.

A Chinese force, about 1,000 strong, armed with trench-mortars and heavy machine-guns was defeated near Siakowao, south of Sheklung, on the morning of November 19th. After defeating some 500 Chinese soldiers who held the area south of Pankiao, the Japanese force occupied Tungkun at 9:30 o'clock, the same morning. In the engagements, the Japanese suffered 3 killed and 8 injured. The enemy casualties are still under investigation, but are estimated to have reached large figures.

The Japanese forces formed four columns to drive on the border between Kwangtung Province and the British leased territory at Kowloon in an effort to eliminate the remnants of Chinese troops. In the Tungkun, Sheklung, Yashan and Lungkang areas, they encountered and defeated many groups of 200 to 300 Chinese soldiers and reached the line connecting Howkai, Talanghu, Changmutow and Pingshanhu on the evening of November 23rd. The Japanese net was tightened further on

November 25th when troops reached the line between Wushihyen and Wongkonghu. The enemy was attacked from west and east in the area north of Shumchun, a town on the border between Kwangtung Province and the British leased territory at Kowloon, with the result that a large number of Chinese soldiers crossed the border and fled into the British territory. The Chinese forces thus cleared from the triangular area consisted of the 193rd and 197th regiments of the 457th brigade of the 153rd division and guards of the Bocca Tigris Fort.

The Samshui Front

A Japanese force cleared the Samshui area from the remnants of Chinese troops, by routing about 400 Chinese soldiers near Yangmeihu on the western shore of Lake Talongwo on November 23rd. Samshui stands at the junction of the North and West Rivers.

The Tsengshing Front

The force that had been operating against the remnants of Chinese troops in the area north of Tsengshing routed a Chinese force about 700 strong on November 25th. The enemy left some 250 dead and as many as 150 rifles, some mountain and machine-guns and a large quantity of ammunition.

The organizing committee for the proposed Peace Maintenance Commission was formed by leading Chinese citizens at Canton on the afternoon of November 27th.

NORTH CHINA

Following the Japanese occupation of Mount Wutai, the Buddhist sacred mountain in northern Shansi Province where the Chinese Communist Army had set up headquarters, and also Yuanku in southern Shansi Province on the northern bank of the Yellow River, the activities of the Communist troops in Shansi have decreased remarkably, although the Chinese guerillas and bandits in the Hopeh plain are claiming allegiance to Communism.

The Chinese troops in the Luan plain in southeastern Shansi Province and along the Taokowchinghwa Railway in northern Honan province are still active, falling back on the assistance extended by the forces on the southern bank of the Yellow River. Peace and order are gradually returning in other parts of North China.

The Wutai Front

The garrison troops at Wutai made a surprise attack on about 500 Chinese soldiers near Pehkaohung, 25 kilometres east of Wutai, on November 3rd and virtually wiped them out. In the engagement, 70 Chinese soldiers were taken prisoner and 2 trench-mortars captured. On the way back to Wutai the next morning, the Japanese were surrounded by some 5,000 Chinese soldiers near Sitienho, but succeeded in breaking

through the enemy line and returned to their garrison headquarters the same evening. On November 6th, these troops again left Wutai for Sitienho, where they succeeded in dealing the enemy a crushing blow.

The Ningwu Front

The Chinese Communist troops and the force under General Fu Tso-i which had taken up positions near Ningwu in central Shansi Province were attacked early in November. Japanese detachments left Taihsien and Yuanpingchen on November 6th and 7th respectively for Ningwu. After defeating several hundred Chinese soldiers near Lungkung and Yangwu, they took Hsienkang on November 8th. The next day they reduced Ningwu. The enemy left 120 dead. A Chinese force of 2,000 belonging to the 115th division was also routed near Hsiapuchen. The Japanese troops reached Twikiuyu on November 6th.

In concert with the drive on Ningwu, the Senda detachment pushed south from Shohhsien and on November 10th dislodged the enemy from Yangfang, north of Ningwu. During October, this detachment engaged Chinese troops 14 times. The capture included 74 rifles and machine-guns. The casualties of the detachment were 7 killed and 25 injured.

The Peking-Paotow Railway Front

The troops operating near Sangyuan, halfway between Peking and Kalgan, routed some 500 Chinese soldiers on November 3rd.

Another Chinese band was wiped out near Kwangling on October 28th, while a large force was defeated near Tatan on November 4th.

The 1st, 5th and 6th divisions of the Chinese Communist Army are still active near the Great Wall southwest of Hwailai with their base established at Tungchitang, apparently watching for an opportunity to advance northward. Part of the 120th division of the Communist Army is also engaged in guerilla warfare in the mountainous area near the Inner Great Wall, northeast of Wutai.

On November 11th, the Tanaka and other detachments dealt the Chinese guerillas belonging to the 120th division a crushing blow at points south of Kwangling and Lingkiu.

These detachments during October engaged Chinese troops 24 times, aggregating 5,830 in numerical strength. The enemy left 508 dead in addition to 20 who were taken prisoner. The Japanese captured 116 rifles and 4 light machine-guns, and suffered 19 killed and 56 injured.

The Southern Shansi Front

The detachment which was standing by at Lingkow left Yicheng on November 4th, after eliminating the remnants of Chinese troops in the neighbourhood. Conducting clean-up operations on the way, this detachment reached Mengchengchen. After clearing the eastern zone of the railway from Chinese troops, the detachment reached Linfen on November 6th.

A Chinese force, about 400 strong, was attacked in the mountainous region south of Chiehhsien which lies west of Yuncheng. The enemy left some 80 dead, while 500 other Chinese soldiers were wiped out near Chaoichen, east of Puchow, on November 5th. The following day, the enemy in the mountainous district north of Juicheng was liquidated. The Japanese garrison at Lintsin on November 30th routed about 300 bandits at a point 12 kilometres northeast of Lintsin.

The Peking-Hankow Railway Front

A Chinese force of about 400 men was routed at Hsiaoticheng, northeast of Paoting, on October 31st, while the Japanese garrison at Tungchangshou on the Peking-Hankow Railway wiped out some 200 Chinese soldiers at a point 8 kilometres north of Tungchangshan.

An infantry company of the garrison at Pingting encountered Chinese troops near Kungtaokow on November 5th, while escorting a baggage corps from Hsiyang to Pingting, and drove them eastward. The enemy left 62 dead.

The garrison at Taochuan on the Shihchiachwang-Taiyuan Railway, about 20 kilometres west of Shihchiachwang, engaged about 400 Chinese at a point southwest of Taochuan on November 4th and sent them southwest.

A Japanese detachment engaged and dispersed Chinese troops at Pehmen, northeast of Taming, and Hsintien, north of Changte, on November 2nd and wiped them out, while 500 others were repulsed near Nanwu, west of Wuan, the same day.

At 3:30 a. m., November 7th, some Chinese troops attacked the garrison at Wanghuapu, 10 kilometres north of Hantan, which, however, repulsed them after a 40-minute fight.

On October 30th, the enemy at Nanyuan and Liumatai, east of Yentsin, were attacked and dealt a crushing blow by Japanese forces, while the area south of Shiuwu was cleared of Chinese troops on November 2nd.

The Peking and Tientsin Front

A Chinese force about 500 strong was routed by a Japanese expeditionary force near Kwanyinshe, some 20 kilometres southwest of Tangshan, on November 6th. Other Chinese soldiers were dispersed at a point north of Iuanhsien.

In the Tientsin area, a clean-up campaign was conducted near Hsiaochan, south of Tientsin, by the garrison troops for four days starting November 6th. About 800 Chinese were engaged near Tuisungchen, southwest of Paoti, on November 1st and 125 of them were disarmed, while the Japanese garrison at Tangkwantun routed 400 Chinese soldiers at a point southwest of Tsinghsien on November 9th.

The garrison troops encountered some 2,000 Chinese soldiers near Chentzechen, north of Tangshan, on November 12th and routed them. The enemy left 400 dead in addition to 180 rifles.

The Shantung Front

A systematic clean-up campaign was launched in Shantung Province. Shangho, Linyi and their neighbourhood were combed for remnants of Chinese troops on November 1st. In the Tsingchow area, the Japanese wiped out 700 Chinese soldiers on November 1st, while in the Lantsun area, 250 Chinese soldiers were liquidated on November 2nd.

A clean-up campaign was started in northern Shantung Province on November 8th. Simultaneously, the Japanese forces launched an attack on the Chinese troops under General Shih Yu-san which had taken up positions near Szehsien and Lingpi, southeast of Hsuchow. The Japanese troops occupied Szehsien on November 9th. A clean-up campaign was also conducted in the Tsaochwan, Chiachwan, Aihu and Wangchwan areas northeast of Hsuchow.

The force that had been clearing remnants of Chinese troops from the Tungchang area west of Tsinan defeated some 1,000 Chinese soldiers on November 15th. The Japanese booty included 800 rifles, several trench-mortars, 9 machine-guns of Czech manufacture and a large amount of ammunition.

A clean-up campaign along the valley of the Tze River east of Tsinan and north of Tsingchow was successfully conducted from November 12th to November 14th. The enemy left 165 dead in addition to 18 rifles.

ACTIVITIES OF THE MILITARY AIR FORCE

Japanese military air units raided Hengyang, 160 kilometres south of Changsha, on November 7th and attacked the airfield there. The raiders bombed and destroyed 16 Chinese planes on the ground, without being challenged by a single Chinese plane. They all returned to their base safely.

At dawn, November 15th, the Harada air detachment made a surprise attack on Lanchow, capital of Kansu Province, and bombed the airfield there. In the ensuing air combat, the Japanese shot down two Chinese planes.

THE SITUATION IN CHINA

II

—FORCES OF THE IMPERIAL NAVY IN ACTION—

PUBLICITY BUREAU, NAVY DEPARTMENT

During the month following the capture of Canton and Hankow, Japanese naval forces in China continued their general operations.

Waterways in the upper courses of the Yangtze River and the Pearl River have been re-opened; mines have been swept and remnants of Chinese troops along the banks of both rivers have been suppressed.

Naval landing parties have cooperated with military and air forces in launching attacks on Chinese troops near Weihaiwei, Chefoo, Lienyunkang and Tsingtao. The bombing activities of the naval air force in practically all parts of China have resulted in making it impossible for the Chinese air force to reorganize itself. It is estimated that General Chiang Kai-shek now has less than 200 aeroplanes at his command.

Sea warfare may be decided by a single battle. Conversely, land warfare may be continued as long as reserve forces are available to be thrown into the field. Aerial warfare probably lies between these two extremes. While it is possible for air forces to be reorganized after fighting has begun, there may be insurmountable difficulties attending the attempts of a vanquished air force to reorganize itself in a short space of time by producing the necessary planes and by training the needed pilots. At the beginning of the current hostilities, the Japanese Naval Air Force, aided by Japan's command of the seas, succeeded in dealing the Chinese air forces a crushing blow and has subsequently subjected them to incessant attacks.

The number of Chinese aeroplanes either shot down in air combats or destroyed on the ground has exceeded 1,400. Without adequate facilities for producing planes, China has depended upon foreign countries for their replenishment and for pilots. As in Spain, China has become a testing ground for the aeroplanes of various foreign powers, inasmuch as the Chinese air force has been composed largely of sample planes sent from the Soviet Union, Great Britain, the United States, France, Italy and other countries. Thus the Japanese air force has been given fine opportunities to test foreign makes of planes. It has found, for example, that Soviet planes of the I-15 type do not meet high standards in aerial warfare.

Achievements of the Japanese Naval Air Force in China, as announced by the Navy section of the Imperial Headquarters on November 9th, are tabulated below.

RESULTS OF MAJOR AIR COMBATS

Date	Places	Number of Planes Shot Down		Destroyed on the Ground		Total
		confirmed	unconfirmed	confirmed	unconfirmed	
July 4	Nanchang	37	8	9	0	54
July 15	Nanchang	0	0	15	0	15
July 16	Hankow	10	0	3	0	13
July 17 & 18	Nanchang	8	0	19	0	27
July 19	Hankow	1	0	13	5	19
Aug. 3	Hankow	27	5	7	0	39
August 6	Hankow	0	0	8	7	15
August 18	Hengyang	14	2	9	3	28
August 30	Nanyung	17	3	0	3	23
September 28	Yunnanfu	7	0	14	0	21
October 4	Liangshan	7	0	9	0	16
October 22	Liangshan	5	0	8	0	13

COMPARATIVE SINO-JAPANESE LOSSES OF AEROPLANES

Date	Shot Down			Destroyed on the Ground			Total	Japanese Losses
	confirmed	unconfirmed	Total	confirmed	unconfirmed	Total		
Up to end of June	439	59	498	459	57	516	1013	88
Up to end of July	76	12	88	78	15	93	181	5
Up to end of August	66	13	82	26	13	39	121	6
Up to end of September	13	0	13	29	8	37	50	6
Up to end of October	13	1	1	27	8	35	49	6
Grand Total	610	85	195	619	601	720	1,415	111

Operations by Japanese naval planes during the month of November, 1938 were extensive. Bombing expeditions were conducted in the provinces of Kiangsi, Hupeh, Szechuan, Hunan and Kwantung. The air field and military establishments at Ichang in Hupeh Province were bombed many times, while repeated visits were paid to Nanning in Kiangsi Province, Chungking, Liangshan and Chengtu in Szechuan Province, Hengyang in Hunan Province and various points along the Chekiang-Kiangsi and Canton-Hankow Railways. Chinese troop concentrations at Mienyang, 100 kilometres southwest of Hankow, were also attacked.

River Warfare

In Central China, the Japanese naval force continued its drive up the Yangtze during November, sweeping mines and removing booms. After re-opening the waterway at Shuikow, the naval force reached Sangchiashih, 12 miles above Yaowan, on November 5th. Paotachow was reached the following day.

On November 7th, the naval force pushed further upstream and reached Chihpi, 90 miles above Hankow. One large Chinese junk which was laying mines near Chihpi was bombarded and sunk. Some 150 mines were discovered and disposed of during the day. By November 9th, Japanese vessels were within striking distance of Yochow.

By breaking through the mine-field at Leikushan, the vanguard of the naval force on the Yangtze entered Yochow at 3 p.m., November 13th. Thus, the waterway between this town and Hankow, a distance of some 130 miles, was re-opened to traffic. On November 15th, the Chinese gunboat Kiangchen, 550 tons, was captured as was the gunboat Minsheng, on the following day. Both were near Yochow.

In South China, Japanese naval forces were active in their operations along the Pearl River. By November 24th, remnants of Chinese troops were routed from Erhhutao (Bill Passage).

Activities of Landing Parties

In North China, a Japanese landing party, in cooperation with naval forces, that had been eliminating remnants of Chinese troops from Lienyunkang in Kiangsu Province, started an attack on other enemy forces in the mountainous region southeast of Mount Pehyuntai on November 26th. The Chinese left some 700 dead in addition to 53 prisoners. The Japanese capture included 1 trench-mortar, 3 heavy machine-guns, 84 rifles and 10 mines.

At Hankow, the Japanese landing party has undertaken the duty of maintaining peace and order in that city since November 2nd.

ORDINANCES RECENTLY PROMULGATED

PRIME MINISTER'S CABINET

Amendments to the Ordinance Concerning Organization of the Department of Communications and of its Various Offices

(Imperial Ordinance No. 694 of October 21, 1938)

The present amendments provide for changes to be made, in accordance with the amount of business, in the established number of officials and clerks in the Department of Communications, Electrical Experiment Laboratory, Savings Deposits Bureau, District Communications Bureaus and other offices. The latter bureaus in various districts have recently been put in charge of the work of examination of broadcasting in their districts. The amendments provide further for the appointment of examining officials, two in number, to be attached to each Communications Bureau and the fixing of ranks and salaries of these officials.

Ordinances Concerning Operation in Taiwan of the Petroleum Resources Development Law

(Imperial Ordinance No. 724 of November 19, 1938)

With a view to ensuring planned and rationalized development of oil-fields, the Ordinances provide for operation also in Taiwan of the Petroleum Resources Development Law, effective as from December 1, 1938.

Amendments to the Ordinance Concerning the Execution of the Petroleum Industry Law

(Imperial Ordinance No. 733 of November 24, 1938)

In consideration of the increasing demand for petroleum, the present Ordinance provides for amendments in the former ordinance,

prescribing (1) the establishment, in refineries for imported oils, of independent factories devoted to the manufacture of machine-oil with stated capacity, for the purpose of developing the machine-oil refining industry; (2) that even where oil is imported in small quantities in tins or barrels, the imports must be placed through the hands of petroleum importers; and (3) the remission, in respect of importation of synthetic oils, of the requirements for keeping stocks as prescribed in the Petroleum Industry Law.

The attention of subscribers is called to a change made in December in the Tokyo Gazette organization. After a year and a half of publication, we are proud to announce the formation of The Tokyo Gazette Publishing House, devoted solely to the publication of this monthly Report.

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